TABLE 10. TOTAL NET CHANGE IN BENEFITS AND TAXES BY INCOME CATEGORY: CALENDAR YEARS 1982-1985 (in millions of current dollars)

		Household Income (in 1982 Dollars)				
	All Households	Less Than $10,000	$10,000-20,000	$20,000-40,000	$40,000-80,000	$80,000 and over
1982						
Cash benefits	-9,040	-3,960	-2,140	-1,980	-840	-110
Taxes	38,080	1,240	4,500	13,460	10,250	8,630
Net	29,040	-2,720	2,360	11,480	9,410	8,520
In-kind benefits	-3,950	-1,140	-1,250	-1,040	-480	-40
Net, including in-kind benefits	25,090	-3,860	1,110	10,440	8,930	8,480
1983						
Cash benefits	-11,950	-5,190	-2,960	-2,740	-990	-80
Taxes	82,130	2,340	9,290	28,720	25,780	16,000
Net	70,180	-2,850	6,330	25,980	24,790	15,920
In-kind benefits	-5,560	-1,680	-1,610	-1,430	-790	-50
Net, including in-kind benefits	64,620	-4,530	4,720	24,550	24,000	15,870
1984						
Cash benefits	-11,460	-5,670	-2,780	-2,180	-760	-70
Taxes	112,980	3,320	12,950	39,650	36,260	20,800
Net	101,520	-2,350	10,170	37,470	35,500	20,730
In-kind benefits	-6,480	-1,980	-1,890	-1,620	-950	-60
Net, including in-kind benefits	95,040	-4,330	8,280	35,850	34,550	20,670
1985						
Cash benefits	-10,580	-5,850	-2,500	-1,620	-560	-60
Taxes	144,120	5,000	17,060	52,340	45,620	24,100
Net	133,540	-850	14,560	50,720	45,060	24,040
In-kind benefits	-6,840	-2,020	-2,040	-1,760	-970	-50
Net, including in-kind benefits	126,700	-2,870	12,520	48,960	44,090	23,990

SOURCE: Congressional Budget Office.

TABLE 11. NET CHANGE IN TAXES AND BENEFITS PER HOUSEHOLD BY INCOME CATEGORY: CALENDAR YEARS 1982-1985 (in current dollars)

		Household Income (in 1982 Dollars)				
	All Households	Less Than $10,000	$10,000-20,000	$20,000-40,000	$40,000-80,000	$80,000 and over
1982						
Cash benefits	-110	-210	-100	-70	-60	-110
Taxes	450	70	220	450	750	8,430
Net	340	-140	120	380	690	8,320
In-kind benefits	-50	-60	-60	-40	-40	-40
Net, including in-kind benefits	290	-200	60	340	650	8,280
1983						
Cash benefits	-140	-270	-140	-90	-70	-70
Taxes	940	120	440	950	1,830	15,250
Net	800	-150	300	860	1,760	15,180
In-kind benefit	-60	-90	-80	-50	-60	-50
Net, including in-kind benefits	740	-240	220	810	1,700	15,130
1984						
Cash benefits	-130	-290	-130	-70	-50	-70
Taxes	1,280	170	590	1,280	2,520	19,350
Net	1,150	-120	460	1,210	2,470	19,280
In-kind benefits	-70	-100	-90	-50	-70	-50
Net, including in-kind benefits	1,080	-220	370	1,160	2,400	19,230
1985						
Cash benefits	-120	-290	-110	-50	-40	-50
Taxes	1,600	250	760	1,650	3,100	21,950
Net	1,480	-40	650	1,600	3,060	21,900
In-kind benefits	-80	-100	-90	-60	-70	-40
Net, including in-kind benefits	1,400	-140	560	1,540	2,990	21,860

SOURCE: Congressional Budget Office.

The cash benefit reductions are a small percentage of income on average in all income categories, averaging 3 percent or less even for the lowest group (see Table 12). For all but the bottom category they are outweighed by the tax cuts, which grow as a percentage of income as income increases. The largest net changes relative to income occur for those in the highest income group, and they increase over time. (In-kind benefit reductions are not shown as a percentage of income because the benefits themselves are not included in the income base.)

TABLE 12. NET CHANGE IN TAXES AND BENEFITS AS A PERCENTAGE OF INCOME BY INCOME CATEGORY: CALENDAR YEARS 1982-1985

		Household Income (in 1982 Dollars)				
	All Households	Less Than $10,000	$10,000-20,000	$20,000-40,000	$40,000-80,000	$80,000 and over
1982						
Cash benefits	-0.4	-2.7	-0.5	-0.2	-0.2	-0.1
Taxes	1.9	0.8	1.0	1.7	2.5	4.6
Net	1.5	-1.9	0.5	1.5	2.3	4.5
1983						
Cash benefits	-0.5	-3.0	-0.6	-0.3	-0.2	a
Taxes	3.5	1.3	1.9	3.2	4.6	6.7
Net	3.0	-1.7	1.3	2.9	4.4	6.7
1984						
Cash benefits	-0.4	-2.9	-0.5	-0.2	-0.1	a
Taxes	4.3	1.7	2.4	4.0	5.7	7.9
Net	3.9	-1.2	1.9	3.8	5.6	7.9
1985						
Cash benefits	-0.4	-2.6	-0.4	-0.2	-0.1	a
Taxes	5.2	2.3	3.0	4.9	6.7	8.4
Net	4.8	-0.3	2.6	4.7	6.6	8.4

SOURCE: Congressional Budget Office.

a. Less than 0.05

The net changes in benefits and taxes as a percentage of income must be interpreted with caution for two reasons. First, in any given income group, the persons receiving the largest tax cuts are often not the persons experiencing the largest benefit reductions. Therefore, any particular household's net change of income may differ substantially from the average. This is particularly true in the lowest income group, where most losers of benefits have incomes low enough to have no tax liability and therefore receive no tax cut. In contrast, since almost all households in the upper-income groups receive tax cuts, benefit losses are almost always offset to some extent.

Second, as was mentioned above, the tables include only direct federal outlay savings; reductions in grants to state and local governments that may in the end lead to reduced benefits are not included. Thus, for households at all income levels more of the tax cut would be offset by reductions in benefits than would appear from these tables. The analysis in the next section indicates that most of the reduction in grants falls on programs that are targeted toward the low-income population. Therefore, inclusion of these additional reductions might result in a net loss (rather than the gain shown) for households with incomes between $10,000 and $20,000, and would certainly increase the net loss for the lowest income group.

EFFECTS OF FEDERAL EXPENDITURE AND TAX CHANGES ON STATE AND LOCAL GOVERNMENTS

Policy changes enacted in the first session affect state and local governments in two ways. First, some changes will have automatic or nearly automatic effects on state and local revenues and expenditures. For

example, reductions in eligibility for individual-benefit programs that entail state matching payments will reduce state outlays. On the tax side, reduction of federal taxes that are linked to state taxes by provisions in state tax codes will reduce state revenues. A second group of changes will affect state and local governments in an indeterminate way, since their effects depend on how these governments choose to respond. Most cuts in grants-in-aid fall into this category, in that they give state and local governments the choice of cutting back the affected services or raising taxes to maintain their current levels.

The "automatic" effects of expenditure and tax changes on state and local governments are discussed next. Cuts in grants-in-aid, and possible state and local responses to them, are discussed in the subsequent section.

Automatic Effects of Changes in Federal Expenditures and Taxes for State and Local Governments

The costs of two individual assistance programs, AFDC and Medicaid, are shared by the federal government and the states, with the federal government paying approximately 55 percent. Changes in federal expenditures in these programs therefore have implications for state outlays. The AFDC cuts passed in 1981 restricted eligibility for the program and reduced benefits for some recipients. Savings to state governments from these changes will be about $730 million in fiscal year 1983.

The effects on state governments of the changes enacted in the Medicaid program are somewhat more difficult to estimate. Approximately 40 percent of the total federal savings of about $1 billion in 1983 comes from reductions in benefits and in payments to health care providers. These

reductions will produce approximately equivalent savings for state governments. The remainder of the savings, however, comes from a provision that reduces payments to states if their spending exceeds a given target level. All of these federal savings, therefore, will appear as net costs to state governments, since states will be required to bear the entire costs of any benefits over specified target levels themselves, rather than sharing them with the federal government. This provision will presumably encourage state governments to cut back their own expenditures on benefit payments. In addition, there is some evidence that state governments have already been cutting back Medicaid expenditures, in response to fiscal pressures at the state level.

The most widely perceived automatic effect of the Economic Recovery Tax Act is the reduction in state income tax revenues due to ACRS. At least twenty-nine states use the federal definition of corporate taxable income or depreciation in some way, and had their tax revenues reduced by the passage of ACRS.

These states could respond in at least two ways if they wished to maintain their business tax revenues without introducing their own depreciation systems. One way would be to raise their corporate tax rate to apply to the new, smaller tax base. Another would be to adjust depreciation for state tax purposes to be some fraction of ACRS depreciation. Because these relatively simple options are available, it is likely that the balance of state business taxation relative to individual taxation will be at least approximately maintained in those states that choose to recoup the lost revenue.

In a smaller number of states, individual income tax liability is calculated as a fraction of federal liability. These provisions can also be altered relatively simply if the tax yield is to be maintained.

Discretionary Effects of Reductions in Grants-in-Aid

In 1981, the Congress enacted cuts in grants-in-aid totaling between $24 billion and $26 billion for fiscal years 1982 through 1984.[5] Of these reductions, from $10.9 to $11.7 billion (depending on the year) were in programs that are also classified as grants for individuals; these are excluded from this section and are included, where possible, in the sections above. Throughout this section, "grants-in-aid" refers only to grants that are not classified as grants for individuals.

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5. The estimates of reductions in grants discussed here are all in budget authority, rather than outlays. This is necessary because the rate at which budget authority is spent out and the rate at which changes in funding are manifested at the state and local level is complex, varies greatly from program to program, and depends in part on state and local discretion. In addition, the estimates of reductions are subject to some error because of the way they were calculated. The estimates are the difference between two projections of expenditures: a "baseline" projection that reflects the status of the programs before the actions of the first session took effect, and a current projection that incorporates those actions. Both projections assume increases to compensate for inflation except when funding would be capped by authorization ceilings. Between the Spring of 1981, however, when one baseline was calculated, and February 1982, when the current projection was developed, the CBO's economic assumptions changed. The effects of the changes in assumptions cannot be separated from the effects of the policy changes enacted in the first session. Although the effects of the changes in assumptions cannot be estimated precisely, it is likely that they bias the estimates of cuts upwards for 1982 and 1983 (there would be no effect in 1984), by biasing upward the projections of baseline expenditures by a maximum of 1.2 or 1.3 percent. The magnitude of the bias in the estimate of the reductions would vary depending on authorization ceilings but, in general, the larger the percent reduction in a program, the smaller the bias in the estimate.

Principal Reductions in Grants-in-Aid. Reductions in 14 programs or budget accounts make up for 90 to 97 percent (depending on the year) of the total \$13.2 to \$14.5 billion in reductions in nonindividual-assistance grants. Because the remaining 3 to 10 percent of the reductions comprises a large number of changes, many of which are quite small, the following discussion considers only the largest 14 reductions.

These 14 largest reductions were classified in terms of the degree to which the affected programs or budget accounts are targeted on low-income individuals or recipients of public assistance.[6] If all or most of the funds in the account are targeted at one or both of those groups, the program was classified as "highly targeted." "Moderately targeted" programs are those in which an appreciable portion, but less than half, of the funds are targeted on those groups. "Largely untargeted" programs are those in which none, or only a negligible proportion, of the funds are targeted toward those groups.

To the extent feasible, only the intended beneficiaries, and not incidental beneficiaries, were considered in classifying programs. Thus, for example, Urban Mass Transit grants for operating assistance were

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6. The characteristics of current beneficiaries can only be described in general terms, for several reasons. The services provided under many of the affected programs, and the ways in which services are targeted, vary considerably among jurisdictions. Moreover, the federal requirements only provide a rough index of how programs are targeted, since the federal standards often leave room for substantial state or local discretion. (For example, prior to the past session, federal law restricted most social services provided under the Title XX program to families with incomes below 115 percent of the state median, but several states in practice applied a more stringent standard, excluding families above 80 percent of the state median.) Finally, data describing which services are provided to which people are often nonexistent or of poor quality.

classified as largely untargeted, because criteria such as income are not considered in allocating its funding; no attempt was made to assess the income distribution of the transit users who benefit from the services subsidized by the grants. Conversely, Title I (Chapter I) compensatory education grants were classified as highly targeted, because almost all of the funding is allocated on the basis of counts of low-income children and children in households receiving public assistance. The income distribution of the teachers and teacher aides whose salaries constitute the bulk of Title I expenditures was not considered.

Almost 60 percent ($7.2 billion) of the reductions in grants in 1982 were in highly targeted programs or accounts (see Table 13). This includes $5.3 billion in reductions of employment programs that are targeted on unemployed individuals who have low incomes or receive public assistance. Outside of employment programs, the largest reduction in the highly targeted category is a $1.1 billion cut in compensatory education (primarily the Chapter I or Title I program). The remaining $858 million in reductions of highly targeted programs are in two programs: the Community Services Block Grant and the Human Services Block Grant (formerly the Title XX program).

About 12 percent ($1.5 billion) of the largest reductions in 1982 fall into the "moderately targeted" category. About half of these reductions were in community development programs (Community Development Block Grants and Urban Development Action Grants). The remainder is in Vocational and Adult Education, portions of which are targeted at the educationally or economically disadvantaged; Energy Conservation Grants, a portion of which

TABLE 13. FOURTEEN LARGEST REDUCTIONS IN GRANTS (EXCLUDING GRANTS FOR INDIVIDUALS), BY DEGREE OF TARGETING ON LOW-INCOME INDIVIDUALS OR PUBLIC ASSISTANCE RECIPIENTS (Fiscal Years, Budget Authority in millions of dollars)[a]

Budget Account of Program	Amount of Reduction 1982	1983	1984	Principal Beneficiaries
TOTAL, 14 PROGRAMS OR BUDGET ACCOUNTS	12,118	12,578	13,834	
(Percent)	(100.00)	(100.0)	(100.0)	
Highly Targeted[b]				
Employment and Training Assistance	4,150	3,941	4,194	Primarily low-income or public assistance
Temporary Employment Assistance (CETA Title VI PSE)[c]	1,129[d]	1,218[d]	1,317[d]	On public assistance or unemployed and low-income
Compensatory Education (Chapter I/Title I)[e]	1,061	1,241	1,469	Low-income children; local districts with many such children; educationally disadvantaged children
Community Services Block Grants	507	569	603	Low-income individuals
Human Services Block Grant	351[f]	379	422	Was primarily low- and moderate income, with set-asides for public assistance recipients
Subtotal, Highly Targeted	7,198	7,348	8,005	
(Percent of Total 14)	(59.4)	(58.4)	(57.9)	

(Continued)

TABLE 13. (Continued)

Account or Program	Amount of Reduction 1982	1983	1984	Principal Beneficiaries
Moderately Targeted[g]				
Community Development Block Grants	504	641	674	Census tracts with high concentrations of residents with incomes below area median
Vocational and Adult Education	279	304	348	Portions of programs targeted at educationally or economically disadvantaged, handicapped, others
Energy Conservation Grants	261	276	291	One of four programs targeted at low-income, particularly elderly and handicapped
Employment Services Admintration (Unemployment Insurance Trust Fund Training)	228	251	280	Employers and unemployed individuals
Urban Development Action Grants	235	251	261	Jurisdictions exhibiting economic and social distress. Benefits to low-income and unemployed persons are generally indirect.
Subtotal, Moderately Targeted	1,507	1,723	1,854	
(Percent of Total 14)	(12.4)	(13.7)	(13.4)	

(Continued)

TABLE 13. (Continued)

Account or Program	Amount of Reduction 1982	1983	1984	Principal Beneficiaries
Largely Untargeted				
Urban Mass Transit Grants	1,559	1,462	1,567	
EPA Construction Grants	1,200	1,320	1,600	
Grants-in-Aid for Airports	339	383	413	
Impact Aid (School Assistance to Federally Affected Areas)	315	342	395	
Subtotal, Largely Untargeted	3,413	3,507	3,975	
(Percent of Total 14)	(28.2)	(27.9)	(28.7)	

a. These 14 accounts correspond to 90 to 97 percent of the total net cut in grants-in-aid, excluding grants for individuals.

b. Most or all of the funds are targeted by income or receipt of public assistance.

c. Title VI (Public Service Employment) of the Comprehensive Employment and Training Act.

d. Program eliminated.

e. Title I of the Elementary and Secondary Education Act, as modified by Chapter I of the Education Consolidation and Improvement Act.

Classification of this program is not straightforward, because of the complexity of the system for allocating its funding. Prior to the first session, allocation to school districts, and to schools within districts, was based primarily on counts of children in poverty or receiving public assistance. Accordingly, on the jurisdictional level, this program has been very highly targeted. Within schools, however, students are selected for services on the basis of educational disadvantage. On the level of students, therefore, the program would be classified as moderately or highly targeted, depending on the income criterion used. About 42 percent of Title I students fall below the poverty standard used in allocating Title I funds, and about 61 percent have family incomes in the bottom 40 percent of the national distribution.

(continued)

TABLE 13 (Continued)

Footnotes.

(e, continued) The Education Consolidation and Improvement Act (part of the Omnibus Budget Reconciliation Act of 1981) increased local discretion in the use of Title I funds, but the practical effects of those changes are not yet known.

f. Reduction was coupled with termination of federal requirements for income targeting and set-aside for public assistance recipients.

g. Less than half of the funds are targeted by income or receipt of public assistance.

are targeted at low-income individuals, particularly the elderly and handicapped; and Employment Services Administration, which is targeted at all unemployed (and employers), regardless of income.

The remaining 28 percent ($3.4 billion) of reductions in 1982 are in the "largely untargeted" category. (It is important to note that "largely untargeted" in this context means only that the criteria of income and receipt of public assistance are not used in allocating funds; programs in this category can nonetheless be highly targeted by other criteria related to their purposes.) About 80 percent of the reductions in this category were accounted for by cuts in Urban Mass Transit grants (primarily capital assistance) and Environmental Protection Agency Construction Grants.

<u>Assessing the Distributional Effects of Cuts in Grants</u>. The distributional effects of these cuts in grants depend on the responses of state and local governments. On the one hand, jurisdictions could respond by reducing services, in which case some or all of the current recipients would bear the burden. Alternatively, states and localities could respond by raising taxes in order to maintain current levels of services; in this case, the distributional effects would be determined by the mix of taxes that was levied.

—Possible Reductions in Services. It is likely that many jurisdictions will respond—at least in part—by reducing services. In some cases (for example, the Employment Service), such reductions have already occurred. Several factors suggest that reductions are likely—for example, the poor fiscal condition of many states and localities, the reduction in

state revenues caused by federal tax changes, and the presence in several states and localities of tax limitation measures. It is not presently possible, however, to estimate how extensive the reductions will be or in which jurisdictions or program areas they will be largest.

Moreover, even in cases where jurisdictions respond by reducing services, the distributional effects cannot be estimated precisely, and descriptions of current beneficiaries provide only a rough measure of who is likely to bear the burden. This stems from the often considerable leeway jurisdictions have in determining which recipients of a given service would lose benefits, or which of several services would be reduced or terminated. For example, states have several options in reducing services under the Human Services Block Grant (Title XX). They could cut services across the board; cut certain services while retaining others; lower the current income ceiling for beneficiaries to further target the remaining funds on the most needy; or couple an across-the-board or selective cutback of services with total elimination of income-based targeting (an option made possible by the Reconciliation Act of 1981). It is likely that states will vary in the mix of these options they choose.

—Possible Tax Changes in Response to Cuts in Grants. State and local reactions on the tax side to reductions in grants-in-aid are far less predictable than their responses to the automatic tax cuts. Should the states or localities decide to raise more revenue in order to make up for grant reductions, they will have several existing tax instruments at hand and other new taxes available. Debate will likely be sparked over the

fundamental aspects of the tax systems, and the tax systems that emerge may or may not resemble those that existed in 1981.

At the state level, the chief existing tax instruments are generally income and sales taxes. State income taxes vary from proportional flat-rate taxes to progressive taxes that resemble the federal model. For taxpayers who itemize their federal deductions, the deductibility of the state income tax reduces its progressivity. Sales taxes are generally held to be regressive, because persons with lower incomes tend to consume a greater proportion of their incomes; however, some economists claim that sales taxes are progressive, because some transfer payments are indexed for sales tax-induced increases in the price level. Some state sales taxes are levied on specific products such as gasoline, cigarettes, or alcoholic beverages, and these taxes bear on consumers of these specific goods.

A significant share of state revenues also comes from user fees, particularly for higher education and hospital services. Expansion of these fees is possible, and their distributional consequences would likely be difficult to determine.

A final state option would be increased severance taxes, for those states that are rich in natural resources. States that can tax the extraction of coal, oil, or natural gas may expect that those taxes would be passed on to consumers and owners of the resources elsewhere, rather than concentrated on their own citizens. Resource-poor states would thus bear some of the brunt of resource-rich states' loss of grants.

For the localities, the most prominent revenue raising option is the property tax. The actual incidence of the property tax (at least on improvements) is controversial, with some claiming that the tax is borne by owners of houses or of capital in general and others arguing that it is passed on to renters of housing units. In addition, increased property taxes in a period of high interest rates might lead to delinquencies and defaults as well as higher revenues. Other local options include the raising or the introduction of wage taxes, sales or excise taxes, or user fees (again largely applying to education and hospitals, as well as airports and other local facilities).

APPENDIX

REDUCTIONS IN CASH AND IN-KIND BENEFIT PAYMENTS FOR INDIVIDUALS

This appendix covers three topics--the specific cuts in benefit payments to individuals that are included in the analysis, the allocation of benefit programs to the cash or in-kind categories, and the impact of an alternative categorization for food stamps. Appendix Table 1 lists the programs included in the analysis and describes the major cuts in each.

In this analysis, programs have been included in the cash benefits category if the government's expenditures on benefit payments would in all cases equal the value of benefits received by the beneficiaries. In general, this rule will hold only for benefits actually paid in cash. If the benefit payments take the form of subsidies for the consumption of particular goods and services, such subsidies will distort the set of consumption possibilities open to recipients, and they will generally consume more of the subsidized goods than they would have if given an equivalent amount of cash. Thus, their perceived well-being will not have been increased commensurately with the amount of the government's expenditure. In addition, large subsidies may increase the prices of some goods and services, if they encourage much higher levels of consumption than would otherwise have occurred.

Under the above definition, food stamps may logically be included in either cash or in-kind benefits. On the one hand, they do represent a subsidy for the consumption of a particular category of goods. On the other hand, they do not increase food consumption for most recipients, but simply substitute for cash income when recipients pay for food, with the cash income then being used for other purposes. Appendix Tables 2, 3, and 4 are

comparable to text Tables 7, 8, and 9 except that food stamps is reclassified as an in-kind benefit. The conclusions stated in the text are not sensitive to this change, except that, for the lowest income category, reductions in cash benefits and reductions in in-kind benefits would be roughly the same size, rather than the cut in cash benefits being substantially larger than the cut in in-kind benefits.

APPENDIX TABLE 1. REDUCTIONS IN PROGRAMS PROVIDING BENEFIT PAYMENTS FOR INDIVIDUALS

Program	Major Reductions
Cash Benefit Programs	
Social Security Retirement and Survivors' Benefits	Phase-out of student's benefits; elimination of minimum benefit for new retirees; partial elimination of lump-sum death benefits; postponement of earnings test elimination for workers aged 70 and 71.
Railroad Retirement Benefits	Limitation of windfall benefits to appropriation; elimination of pre-retirement indexing for windfall benefits.
Civil Service Retirement and Military Retirement Benefits	Change from semi-annual cost-of-living adjustments (March and September) to annual adjustment in March.
Social Security Disability Benefits	Reduction in Disability Insurance benefits if total benefits from specific disability programs exceed a measure of predisability earnings; elimination of reimbursement for vocational rehabilitation in most cases; phase-out of students' benefits.
Black Lung Benefits	Restriction of eligibility for new benefit awards; reductions in expected interest payments on general revenue borrowing due to increased coal tax.
Unemployment Insurance	Elimination of national trigger for extended benefits; increase in state trigger levels; restricted benefit eligibility for former military personnel.
Trade Adjustment Assistance	Limitation of benefits to level received under unemployment insurance.

(Continued)

APPENDIX TABLE 1 (Continued)

Program	Major Reductions
Food Stamps	Gross income eligibility restrictions; drop in earned income deduction from 20 percent to 18 percent; delays in the COLAs for both benefits and deductions; prorating of benefits to date of application.
Aid to Families with Dependent Children	Limitation of earnings disregards and elimination after 4 months; counting income of stepparents; counting EITC income; elimination of payments to children 18 and over if not in high school; other smaller changes and various administrative savings.
Supplemental Security Income	Introduction of retrospective accounting and other minor administrative changes.
Low Income Energy Assistance	Conversion to a block grant with reduced funding.
<u>In-Kind Benefit Programs</u>	
Medicaid	Reductions in payments to states if outlays exceed target levels; increased flexibility for states in setting reimbursement rates for health care providers.
Medicare	Increases in the deductible paid by patients for both Hospital Insurance (HI) and Supplementary Medical Insurance (SMI); reductions in reimbursement rates for health care providers.
Guaranteed Student Loans	Requirement that those with incomes over $30,000 prove need; introduction of a 5 percent loan origination fee.
Pell Grants	Reduction in all awards of $80.

(Continued)

APPENDIX TABLE 1 (Continued)

Program	Major Reductions
Housing Assistance Programs	Phase-in of rent increases from 25 percent of adjusted income to 30 percent by 1986.
Child Nutrition Programs	Reductions in school breakfast and lunch subsidies; eligibility restrictions for free and reduced price meals; reductions in special milk and summer feeding programs.
Veterans' Health and Education Programs	Reductions in dental health coverage; reduction in period of coverage; elimination of burial payments for some veterans; elimination of tuition assistance payments for some types of courses.

APPENDIX TABLE 2. TOTAL REDUCTIONS IN OUTLAYS FOR BENEFIT PAYMENTS FOR INDIVIDUALS, BY INCOME CATEGORY OF BENEFICIARIES, CALENDAR YEARS 1982-1985 (in millions of current dollars)

		Household Income (in 1982 dollars)				
Calendar Year	Total Savings	Less than $10,000	$10,000-20,000	$20,000-40,000	$40,000-80,000	$80,000 and over
Cash Benefits (Excluding Food Stamps)						
1982	6,990	2,240	1,880	1,920	840	110
1983	9,880	3,440	2,690	2,680	990	80
1984	9,200	3,770	2,490	2,110	760	70
1985	8,230	3,870	2,200	1,550	560	60
Benefits In Kind (Including Food Stamps)						
1982	6,000	2,860	1,520	1,110	480	40
1983	7,640	3,420	1,880	1,490	790	50
1984	8,740	3,880	2,180	1,690	950	60
1985	9,190	4,000	2,350	1,830	970	50
Total Benefits						
1982	12,990	5,100	3,400	3,020	1,320	150
1983	17,510	6,860	4,570	4,180	1,780	130
1984	17,940	7,650	4,670	3,800	1,710	130
1985	17,410	7,870	4,540	3,380	1,520	100

SOURCE: Congressional Budget Office.

NOTE: Totals may not add due to rounding.

APPENDIX TABLE 3. AVERAGE REDUCTIONS PER HOUSEHOLD IN OUTLAYS FOR BENEFIT PAYMENTS BY INCOME CATEGORY OF RECIPIENTS, CALENDAR YEARS 1982-1985 (in current dollars)

		Household Income (in 1982 dollars)				
Calendar Years	All Households	Less than $10,000	$10,000-20,000	$20,000-40,000	$40,000-80,000	$80,000 and over
Cash Benefits (Excluding Food Stamps)						
1982	80	120	90	60	60	110
1983	110	180	130	90	70	70
1984	100	190	110	70	50	70
1985	90	190	100	50	40	50
Benefits In Kind (Including Food Stamps)						
1982	70	150	70	40	40	40
1983	90	180	90	50	60	50
1984	100	200	100	50	70	50
1985	100	200	110	60	70	40
Total Benefits						
1982	160	270	160	110	100	150
1983	200	360	220	140	130	120
1984	200	390	220	120	120	120
1985	200	390	200	100	110	90

SOURCE: Congressional Budget Office.

NOTE: Totals may not add due to rounding.

APPENDIX TABLE 4. CASH BENEFIT REDUCTIONS AS A PERCENTAGE OF INCOME, BY INCOME CATEGORY, CALENDAR YEARS 1982-1985

	All Households	Household Income (in 1982 dollars) Less than $10,000	$10,000-20,000	$20,000-40,000	$40,000-80,000	$80,000 and over
Cash Benefits (Excluding Food Stamps)						
1982	0.3	1.5	0.4	0.2	0.2	0.1
1983	0.4	2.0	0.6	0.3	0.2	a
1984	0.4	1.9	0.5	0.2	0.1	a
1985	0.3	1.7	0.4	0.1	0.1	a

SOURCE: Congressional Budget Office.

a. Less than 0.05 percent.